

PRESENTATION BY
SIGECO and Indiana Gas Company d/b/a

Vectren Energy
Delivery of Indiana, Inc.

BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

Winter Outlook

Oct. 13, 2005

Vectren Employees Attending

- Niel Ellerbrook, Chairman, President and CEO
- Jerry Ulrey – VP Regulatory Affairs and Fuels
- Doug Karl – VP Marketing and Customer Service
- Jeff Whiteside – VP Corporate Communications & Public Affairs
- Mike Roeder – Director of Corporate Communications/Lobbyist

Presentation Outline

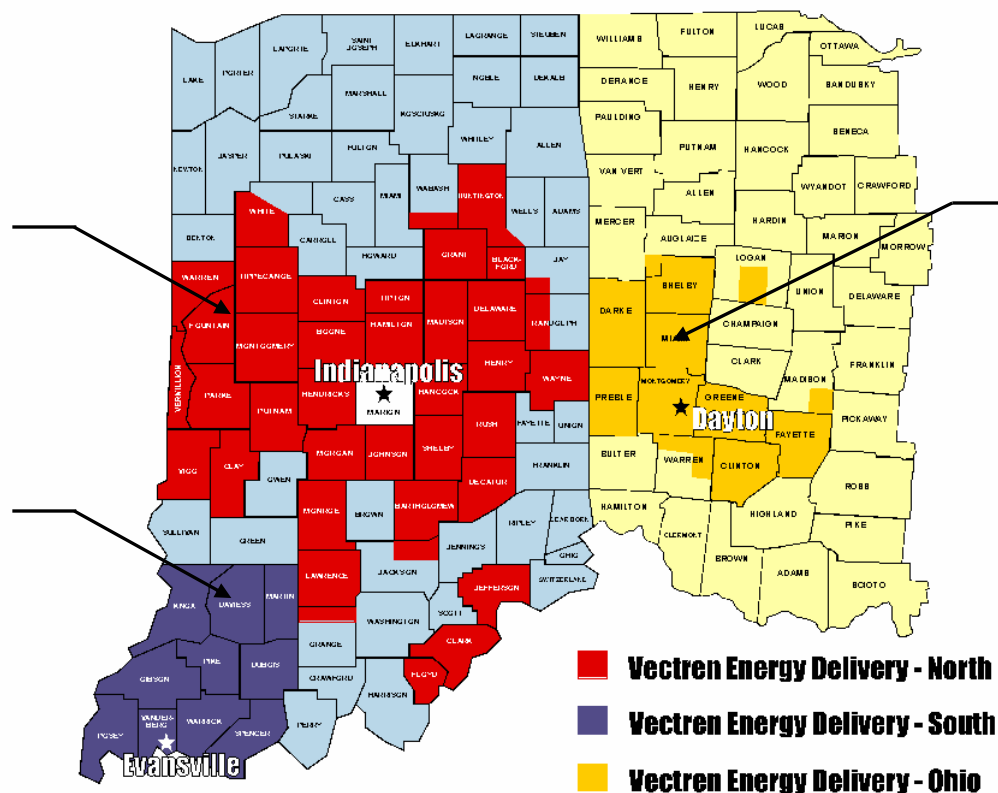
1. U.S. Gas Supply
2. Vectren's Gas Procurement Approach
3. Impact of higher bills

Service Area Map

555,000 Customers

110,000 Customers

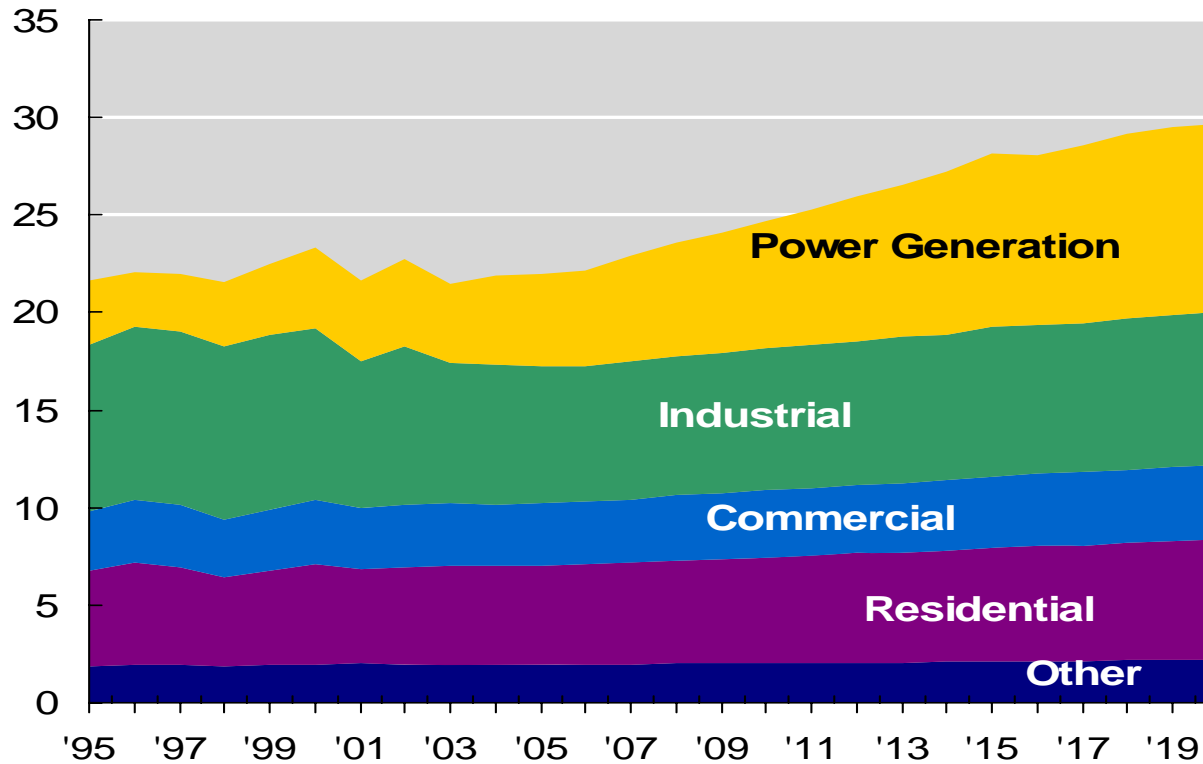
315,000 Customers



U.S. Gas Supply

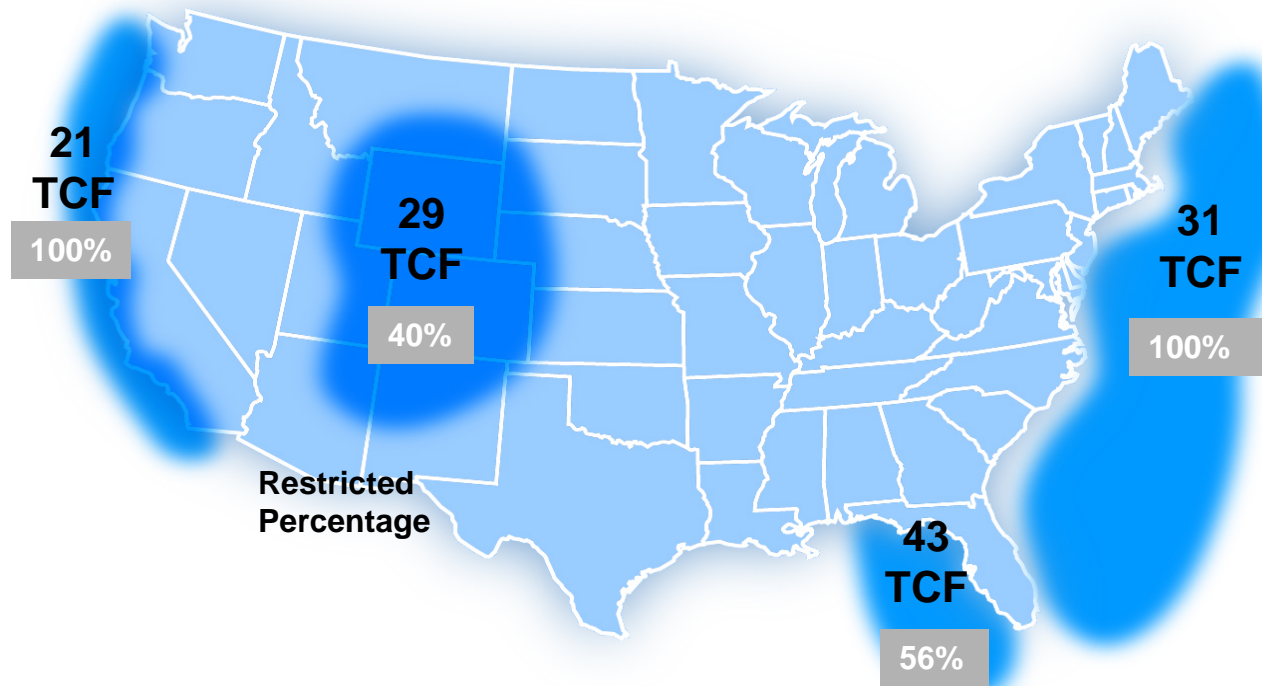
Gas Demand Outlook

Gas Consumption (Trillion Cubic Feet, Tcf)



Source: Energy and Environmental Analysis (EEA)

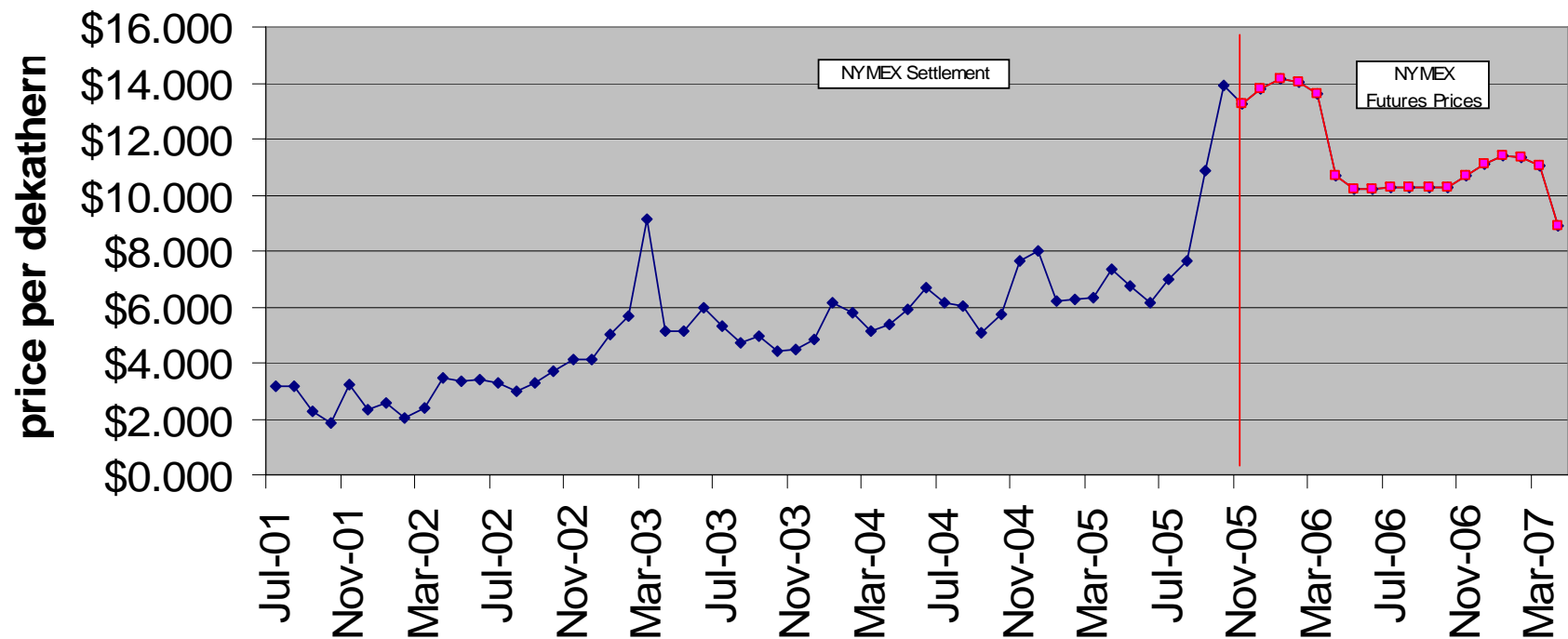
Gas Resources Not Accessible



Approximately 29 trillion cubic feet (TCF) of the Rockies gas resources are closed to development and 108 TCF are available with restrictions.

NYMEX Prices

NYMEX natural gas pricing



Solutions to Current Situation

- Short term solutions
 - Conservation
 - Assistance Programs
- Mid-term/Long term solutions
 - Restore gulf production
 - Increase production from deeper waters in gulf
 - Expand existing LNG facilities
 - Use of other sources for electric generation (coal, nuclear)
- Significant solutions will take time
 - Changes in the generating mix
 - E&P in areas now off limits
 - Alaskan gas and new LNG are 5-10 yr options

Vectren's Gas Procurement Approach

Vectren's Portfolio Approach

➤ **Objectives:**

- Mitigate price volatility for the customers
- Purchase reliable gas supply

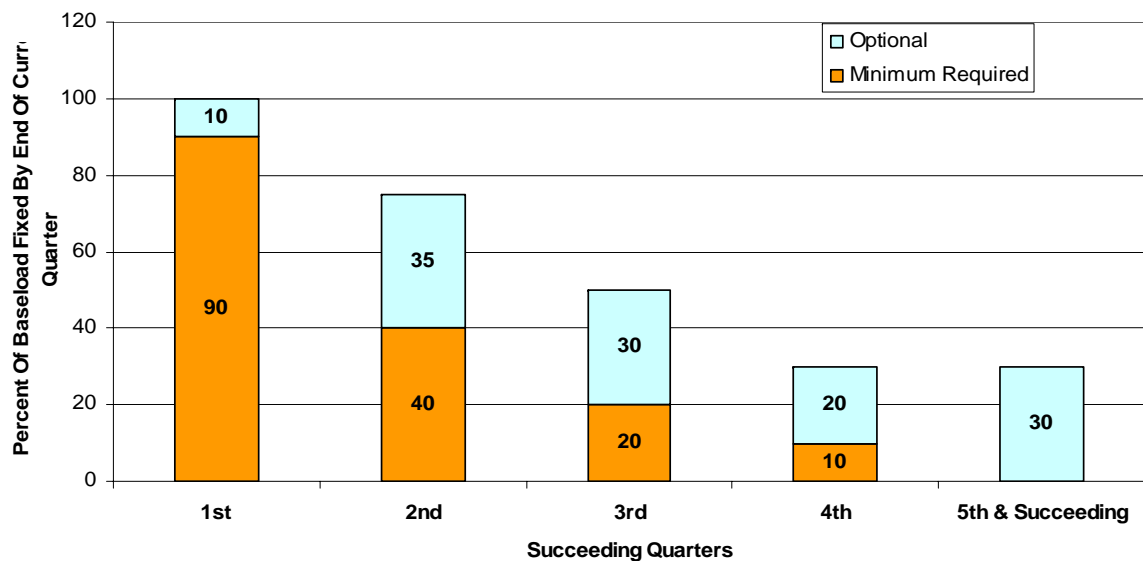
➤ **Components:**

- Storage Gas
- Advance Purchases
- Financial Hedges
- Market Purchases in Month of Delivery

➤ **Target:**

- Hedge 65% of annual purchases and 75% of winter deliveries to customers

Advance Purchases



- Quarterly Hedge Targets
- Time Triggers are used to achieve a dollar cost averaging result

Advanced Purchases By Season

Vectren - South				
Season	Apr'04 - Oct'04	Nov 04- Mar 05	Apr'05 - Oct'05	Nov 05- Mar 06
Avg. Price	\$ 5.0551	\$ 5.8893	\$ 6.2369	\$ 9.6136
Vectren - North				
Season	Apr'04 - Oct'04	Nov 04- Mar 05	Apr'05 - Oct'05	Nov 05- Mar 06
Avg. Price	\$ 5.2681	\$ 6.0630	\$ 6.3986	\$ 9.0337

Financial Hedge Program

- Purchase gas **futures** to fix the price on a portion of our purchases
- Purchase gas **options** to:
 - **Cap** prices at a specified price
 - **Collar** prices within a price range
- Target is to hedge 85% of the contract storage refill.

Current Gas Price Projections

	10/6/2005 <u>NYMEX</u>	Sept. 2005 <u>EIA</u>	10/4/2005 <u>Private</u>	<u>Average</u>
Nov-05	\$13.38	\$ 11.49	\$ 14.00	\$ 12.96
Dec-05	\$13.90	\$ 11.49	\$ 14.00	\$ 13.13
Jan-06	\$14.26	\$ 10.50	\$ 13.20	\$ 12.65
Feb-06	\$14.12	\$ 10.00	\$ 11.60	\$ 11.91
Mar-06	\$13.70	\$ 9.50	\$ 11.20	\$ 11.47
Winter Average	\$13.87	\$ 10.60	\$ 12.80	\$ 12.42

Impact of higher bills

Bill Projections Nov'05- Mar'06

- Vectren North
 - 28-38 % increase over same period 2004-2005
 - Assumes normal weather
- Vectren South
 - 45-55 % increase over same period 2004-2005
 - Assumes normal weather

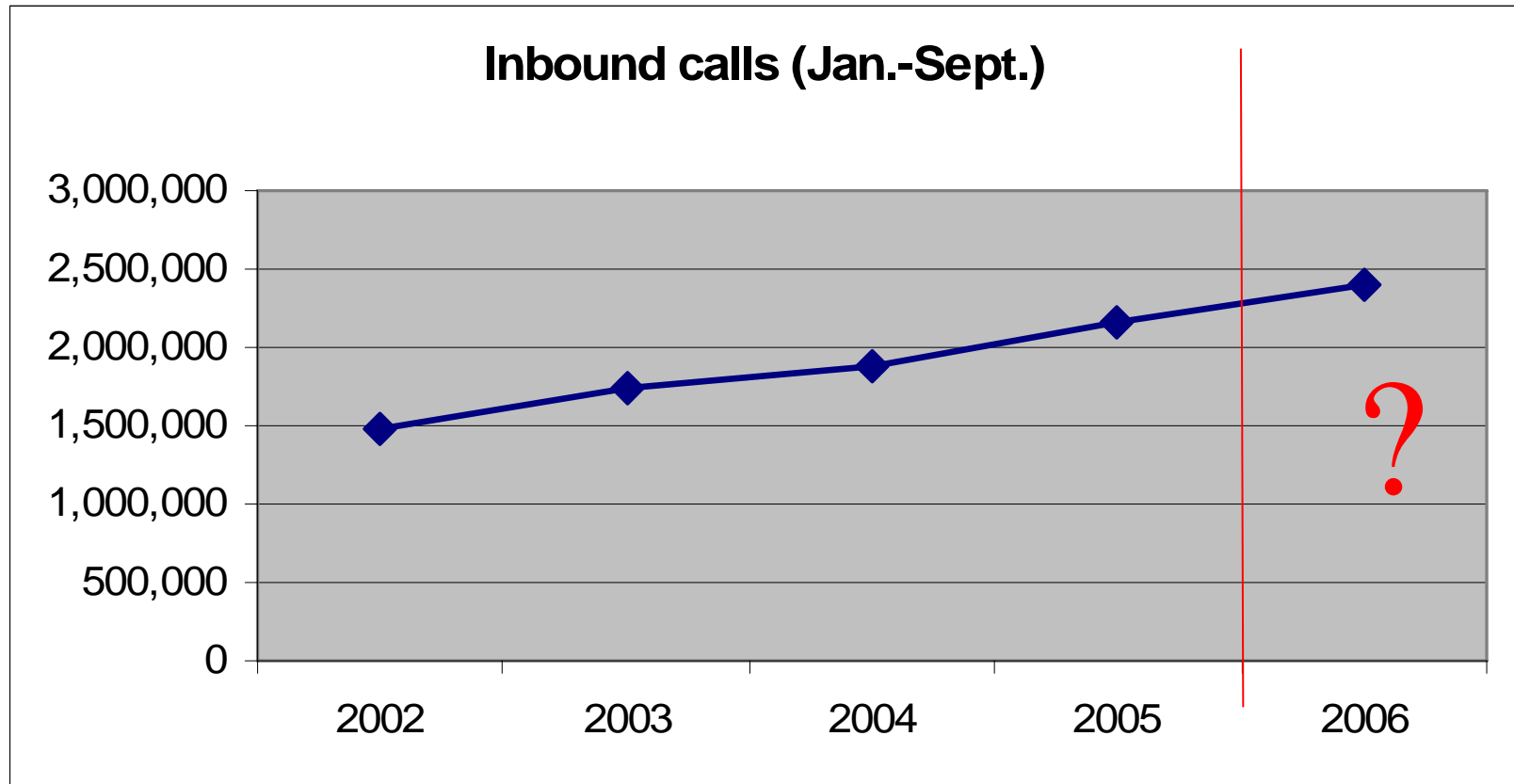
Hoosier Homes Impacted

- Avg. household income in Vectren territory – \$39,727
- Bill impacts for a north customer = \$252 increase or \$1,023 for the heating season
- Family of 4 LIHEAP eligible (at 125%) – \$24,188
- Currently serve 24,200 LIHEAP customers
- Hoosiers will be financially “tapped out”

Hoosier Jobs Threatened

- Industry/jobs
- Schools/small business particularly vulnerable
- Commodity impact to industrial is yet unknown

Customers Requesting Help



- Customer Contact Center - 14.5 % increase in call volumes YTD

Assistance Programs

- **LIHEAP Federal Funds**

- Total \$6.4 million 24,200 Households assisted

- **Share the Warmth**

- 2005-2006
- \$ 500,000 Vectren contribution
- \$ 610,000 Vectren GCA 50 settlement funds
- \$ 200,000 Vectren match
- \$1,500,000 NTA funding
- \$2,810,000 Total funding

- **USP**

- Currently serving 19,932 customers
- Since 1/1/05 the USP has provided \$3,511,085 in customer discounts

Aggressive Budget Bill Promotion

Best way for customers to manage winter bills

➤ Budget Bill

- New advertising and communications outreach with incentives
 - TV in Indianapolis, Terre Haute and Evansville
 - Radio throughout the service territory
- Customers pay the same amount over a 12-month period based on estimated usage
- Current Enrollment
 - 115,468 North customers Average Budget Bill - \$116
 - 10,242 South customers Average Budget Bill - \$198 (\$87 gas portion)
- Since Sept. 1
 - More than 25,000 new budget bill customers

Budget Bill Television

TV

Active Customer Communications

- Bill Inserts
- Bill Messaging
- Speakers Bureau
 - Provide outreach preparedness and education
- Web Content
 - Natural gas price and supply outlook
 - Weatherization and conservation information
- Media Outreach
- Employee Communications
 - Educating our employees to better prepare and inform customers, neighbors and friends



Vectren.com screen shot

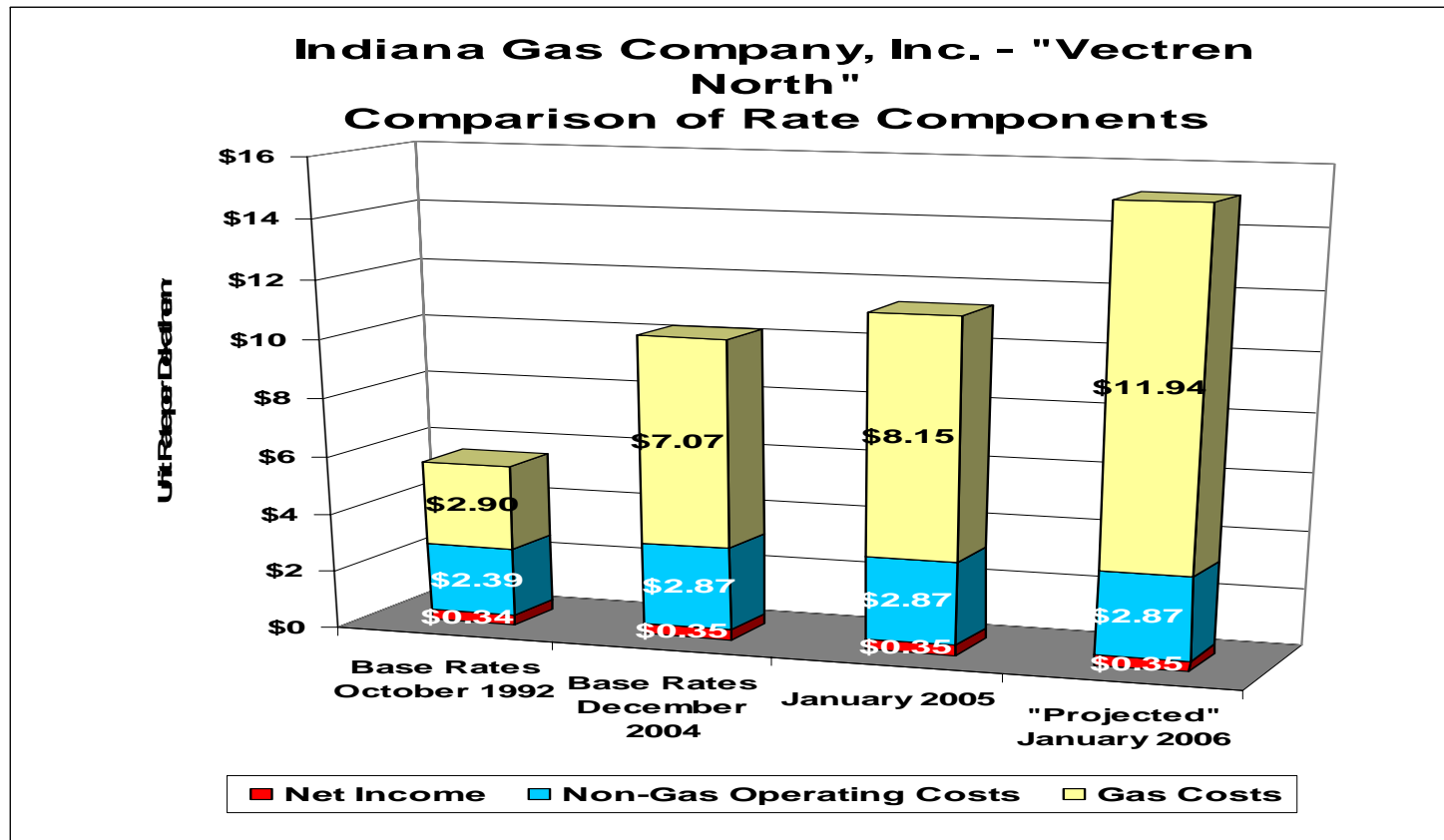
Vectren Weatherization Efforts

- Nearly 1,400 Vectren customers were weatherized utilizing state and federal funding
- Vectren funded furnace replacements for 95 customers in 2005
- Another 75 homes are candidates for weatherization from USP
- DSM pilot
 - Collaboration with Indiana Community Action Association, Citizens Action Coalition, OUCC, industrials
 - 2 year pilot
 - Vigo County customers between 150-200 % of poverty
 - 20-25 homes weatherized annually

Solutions Require Future Focus

- A national problem requires a national solution – slow to come
- Opportunities for Hoosiers helping Hoosiers must be explored with a sense of urgency

Solutions Require Future Focus



- Given the paradigm shift in commodity costs, creative and collaborative regulation must be our sharp focus